

SENATE BILL REPORT

SB 5883

As of February 18, 2009

Title: An act relating to the linked deposit program.

Brief Description: Studying the linked deposit program.

Sponsors: Senator Kline.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/18/09.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Staff: Philip Brady (786-7460)

Background: The Linked Deposit Program (Program) was created in 1993. The stated purpose of the program is to increase access to business capital for the state's certified minority-owned, women-owned, and veteran-owned businesses. Under the Program, certified businesses may obtain reduced interest rate loans from participating financial institutions.

The State Treasurer is authorized to use up to \$150 million of short-term State Treasury surplus funds for the Program. These funds are deposited with public depositories as certificates of deposit (CDs) on the condition that the public depository makes "qualifying loans" under the Program. The state forgoes up to 2 percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduces the interest rate for the loan recipients. The State Treasurer must reduce the amount of the preference to ensure that the effective interest rate on the certificate of deposit is not less than 2 percent. If the preference given to a qualified public depository is less than 200 basis points, the qualified public depository may reduce the interest rate on the loans by an amount that corresponds to the reduction in the preference below 200 basis points.

Qualifying loans are those that are made to certain minority or women's business enterprises or veteran-owned businesses for a period not to exceed ten years and at an interest rate that is usually at least 2 percentage points below the market rate that normally would be charged for a loan of that type. They cannot exceed \$1 million.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill: The Office of Minority and Women's Business Enterprises must make a report to the Legislature by December 1, 2009. The report must include recommendations in a variety of areas, including how many loans are not being funded under the Program and approaches to increasing access to capital.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.